

# Transcript: When hospitals sue patients, part 1

[birds singing]

**Dan:** Hey there. Starting this episode with a field trip.

[dogs barking]

**Dan (from field tape):** I hear dogs. I'm in the right place.

**Dan:** Nick McLaughlin lives outside Kalamazoo, Michigan. The email with his address said: Long gravel driveway, blue house. He'd said he'd be outside with his dogs, enjoying a cup of coffee. This is a big lot, with a pond on one side, a lake on the other, and huge trees all around.

**Nick:** So yeah, when I said I was sitting out enjoying a cup of coffee, this is a pretty good spot to do it. Pretty cool bird action. We had some neat, red headed woodpeckers going this morning,

**Dan:** He's lived in the area since he was in high school. His parents still live nearby. So do his inlaws. He's married to his high school sweetheart -- they got married while they were still in college. That's also when Nick started working in medical collections.

**Nick:** I just saw a part time job listing in the college, job website for patient financial counselor. Didn't know what that meant. Uh, and next thing I knew I had a, uh, headset on and was talking to patients about two and three year old hospital bills that they had. And my parents about disowned me. My mom's a nurse, uh, and my dad's a PhD environmental scientist. And so, um, Their line was, what are you doing calling sick people asking for money?

**Dan:** He says they came around. After a couple of years, he quit the call center and ended up in sales for a company called AmeriCollect. As the name suggests, they're a collection agency. Specifically, medical-bill collections. Hospitals and medical groups are their clients. Nick started as Americollect's first sales rep in Michigan, then after a year or so, branched out.

**Nick:** It was Michigan, Indiana. Ohio. Pennsylvania, and then North Carolina and, then we're just kinda all over.

**Dan:** You were really good at this.

**Nick:** I was good at this.

**Dan:** Nick spent a decade at AmeriCollect. The company's slogan was, is -- and I swear this is true: "ridiculously nice." It's on their website — and Nick says it was part of their pitch to clients.

**Nick:** the pitch was, we're going to be more effective in connecting with your people, maintaining your reputation, with them and your community, and, oh, by the way, we're also effective at recovering the dollars that are owed to you, uh, by being ridiculously nice, was the line.

**Dan:** I've come to Nick for insights on one of the most ridiculously nasty parts of American health care: Because some hospitals and medical providers don't just send bill collectors -- nice or otherwise-- after patients. Some hospitals sue their patients over unpaid bills -- filing lawsuits by the hundreds, or even thousands, every year. And here's a twist: These lawsuits don't bring hospitals much money. So why do they do it? I've been interested in this question for years. And this year, I've had a lot of help chasing it, working with amazing journalists from two incredible news outlets. We had some ideas when we started -- hypotheses, that we tested together. And those hypotheses... they were wrong. But we discovered something along the way that, well, no one else seems to have discovered yet. And for once, it's actually not-bad news. Surprisingly hopeful. Of course we also learned things that made me super-mad... and the whole inquiry absolutely made clear some ways we can all look out for ourselves and each other. It's a bunch. So we're bringing it to you in a two-parter. Strap in.

With Scripps News and the Baltimore Banner, this is An Arm and a Leg-- a show about why health care costs so freaking much, and what we can maybe do about it. I'm Dan Weissmann. I'm a reporter, and I like a challenge. So our job on this show is to take one of the most enraging, terrifying, depressing parts of American life, and bring you something entertaining, empowering, and useful. Before we get into big trends, numbers, all that-- let's start with just one family's story.

Casey and Ron Gasior live in South Milwaukee. Our summer intern, Bella Czakowski, met them there in August.

**Bella Czakowski:** Hi, Bella, nice to meet you. My husband, Ron.

**Dan:** Casey and Ron met in a bar almost 20 years ago. He was working there, and then so was she. They were close-- as friends.

**Ron:** lot of people thought that we were together because we were so close.

**Casey:** But we never had anything to do with each other and that's a sore subject. On his part. Because

**Bella:** Because you were interested back then?

**Ron:** Yes. Yeah. Who knows, I mean, if we would have been together back then, it might not have lasted. She was young, I was older, but I still, I didn't have my stuff together, you know. Whatever.

**Dan:** They married other people, drifted apart, and reconnected as friends years later --by which time both marriages were in trouble. Casey and Ron both got divorces, then got together, then bought this house eight months later. They got married in 2017. And then came the wave -- waves-- of medical issues.

**Casey:** His back, his knee, my heart.

**Dan:** Atrial fibrillation. That's three procedures between them. And time off work to recover, less income. Another two procedures for Casey-- carpal tunnel-- more time away from work.

**Casey:** And at that time, too, I was also diagnosed with diabetes. So there was, there was a lot.

**Dan:** And there were lots of bills. They had insurance, but there's always "Your portion." It adds up. Plus Casey's meds for diabetes and a-fib.

**Casey:** we would dig little bit out of our hole, and then we'd go right back down. And it to the where we we can't even pay these

**Dan:** And then they started falling behind on house payments too.

**Casey:** there was a few nights in the garage, trying to figure out what our next step was.

**Dan:** In the garage, where Ron's teenage daughter couldn't hear.

**Casey:** We tried to do all of this without our daughter knowing, you know, cause you don't want to stress a kid out.

**Dan:** They decided the best of their bad options was Chapter 13 bankruptcy: Wrapping all their debts into a giant five-year payment plan. It would let them keep the house and their cars, if they were able to make the payments. It was really tough. The pandemic didn't help. But in the spring of 2023, they were a couple months away from getting discharged, when they got a letter from a law firm-- looking to collect money on a medical bill. It said...

**Casey:** that I needed to call them to make payment arrangements by a certain date

**Ron:** Well, not to make arrangements. They wanted to payments. To make payments.

**Casey:** By a certain date. Otherwise, we'd be going to court

**Dan:** The bill was three thousand dollars-- for a medical procedure that happened before the bankruptcy. But the bill had come after. They say they called the lawyer, explained: Until we're discharged from bankruptcy -- which we will be soon -- we're actually not allowed to pay you. According to Casey and Ron, the lawyer was rude and said, essentially: See you in court. When they did, Casey says, the judge told the lawyer on the other side: These folks aren't allowed to pay you anything until their bankruptcy is done. And told the Gasiors: When you're discharged, do make arrangements to pay. So that's one story-- a lawsuit against folks who literally weren't allowed to pay.

And every story is gonna be different, but the big picture: Lawsuits filed against people who -- even without a court order -- just couldn't pay -- that's not a one-off. Lots of folks -- reporters, researchers, advocates -- have been documenting this phenomenon -- hospitals suing patients by the hundreds or even thousands-- for a long time. For instance, in Maryland, a study from 2020 found a hundred and forty

thousand lawsuits that hospitals had filed against patients over a ten-year period. In New York, a series of reports looked at more than 50,000 lawsuits over just five years. Elisabeth Benjamin co-wrote those New York reports. She's the vice president for health initiatives at the Community Service Society of New York. And one of the findings that shocked her was: how small the amounts were that folks were being sued for-- like, compared to a hospital's bottom line. Or even compared to an average hospital bill.

**Elisabeth Benjamin:** they're suing people for pennies. right. The average law suits maybe 1900 bucks. So they're suing them for chump change, but that \$1,900 is like life ruining for the patient.

**Dan:** Because the people getting sued tend to be people who are just getting by-- if they're even getting by. Elisabeth Benjamin found: People whose wages get garnished to pay medical debts tend to work for low-wage employers. And our colleagues at the Baltimore Banner found that in Maryland, people who get sued over medical bills tend to live in census tracts where poverty is high. Elisabeth Benjamin turned up another finding that surprised her: The hospitals filing the most lawsuits were not always the kinds of places that were hard-up for money. And lots of hospitals that were hard up for money weren't filing any lawsuits.

**Elisabeth Benjamin:** In other words, there's many hospitals that are either making it or not making it, but are not suing people. At least in New York, most hospitals are good guys. I mean, they wouldn't dream of suing people. And then there's like this cruddy, top 20, top 15 that are responsible for huge amounts of the lawsuits. And it doesn't seem like the amounts they're suing for really has any bearing on any hospitals bottom line. So then it begs the question of, well, what are they doing this for in the first place?

**Dan:** That's basically the question I started with. What are they doing this for in the first place? And I just want to underline one of Elisabeth Benjamin's findings: not all hospitals do this-- file lawsuits in bulk. Most hospitals don't. Other studies have found the same thing. So, it's not a necessity. It's a choice. And for the majority of hospitals, it's a choice that seems to run counter to a pretty important fact: They're organized as non-profit charities. They pay no taxes, and they give donors big tax write-offs. And they're legally obligated to provide charity care: To have policies saying how they'll write off bills for folks who can't pay. Even for-profit hospitals tend to have policies like that, without a legal obligation. So, suing people in bulk, it's an interesting choice. I wanted to talk with people who

were part of the conversations where hospitals give the order: This is how we're going to collect. And I got to talk with a couple of those people. One of them was Nick McLaughlin. Because Nick says, when a hospital sues patients-- especially if they're filing lawsuits in bulk, by the hundreds or thousands-- a lot of the time, they're not sending a staff attorney, or even picking a lawyer directly. The collection agency handles all that. But as Nick tells me: the strategy, the question of whether or not to sue, how hard to chase people-- that all comes from the client, someone like the hospital's revenue director.

**Nick:** we had clients at AmeriCollect where, they'd say, collect on it for six months and afterwards cancel it back.

**Dan:** Cancel it back. Meaning, cancel the assignment. Just don't even bother trying to collect after six months. We'll write it off.

**Nick:** And we'd say, you sure? Six months isn't very long. And they'd say, "That's what we want." it's more standard to be, two years

**Dan:** what's the recovery like in those intervening 18 months? Like how much more you get?

**Nick:** Not a ton.

**Dan:** Because -- and this was the part that stuck with me the most-- by the time a bill gets sent to a collection agency, it's unlikely to actually be collected. When Nick was pitching AmeriCollect's services, the pitch wasn't, "We collect more than anybody else." Because: that wasn't a relevant pitch.

**Nick:** You're normally not really gonna move the needle much from one collection agency to another. Meaning one collection agency might collect 10 percent, the next collection agency might collect 12 percent.

**Dan:** That's a difference of two percent-- but two percent of WHAT? Two percent of what's already a very narrow slice of hospitals' income.

I talked with an analyst for a consulting company called Kodiak-- they run the numbers on this kind of thing. He said hospitals get about 90 percent of their money from insurance. By the time they send us bills, hospitals have already got 90 percent of their money. And then: a lot of people are able to pay their bills

before getting sent to collections. Nick says maybe five or six percent of hospital bills-- in dollars-- get sent to collections at all. And Nick says, when you're looking for someone to chase folks for that five or six percent, the difference between one agency and another is... not much.

**Nick:** one agency is collecting 10 percent of 5 percent and one agency is collecting 12 percent of 5%. We're talking about a difference of, fractions of a fraction of a percent.

**Dan:** And even if ALL of the difference -- the fractions of a fraction of a percent -- is because you went hard after people, took them to court... it really looks like peanuts. This lines up with what journalists and advocates have documented in their reports: They compare the total, aggregate amounts hospitals are suing for, and compare it to the institution's annual surplus. Or pay for top executives. The amounts their suing for-- total-- always look tiny in comparison. So the decision to do something like sue people in bulk, it doesn't seem to Nick like it's based on numbers. In fact, here's where the mystery gets deeper. Because: You may have noticed, Nick's been talking about Americollect in the past tense. He doesn't work there anymore. These days he runs his own business, pitching his old clients -- and any other hospital system he can get to listen -- on a completely different approach: No matter how ridiculously nice your collections agents may be, he tells them, you should be sending them a lot less business. You'd be better off forgiving those debts, through charity care, before ever sending the first bill. He's pitching tech to help hospitals do that. And he's not telling hospitals, you should do this to be nice. He's telling them: this is better for your bottom line. How he got there, and the pitch he makes now-- that's next.

This episode of An Arm and a Leg is produced in partnership with KFF Health News-- that's a nonprofit newsroom covering health care in America. They are amazing journalists, and I learn from them all. The. Time. We'll have a little more information about KFF Health News at the end of this episode.

This part of Nick's story starts at a family holiday gathering in 2019. And a conversation with his wife's grandfather, who was 86 at the time.

**Nick:** he and grandma were on social security and not a whole lot of extra resources. Pretty much your, standard salt of the earth, awesome people that serve everybody else and don't have a ton. But are just fine with that.

**Dan:** But now grandpa had a 750 dollar hospital bill. Not so fine.

**Nick:** He said, Hey Nick, I know you know a lot about hospital bills. That's a lot of money for an old guy like me. Do you know if there are any options? And I said, Well, sure, Grandpa. Have you ever, looked into financial assistance? And he looked at me and said, What's that?

**Dan:** Financial assistance -- also known as charity care -- is when a hospital agrees to reduce your bill, or just write it off, because you don't make enough money to pay it.

And Nick knew all about charity care because since he'd started working at Americollect, having a charity care policy had become a legal obligation for nonprofit hospitals -- which is to say, the majority of American hospitals -- thanks to a provision in the Affordable Care Act.

Nick's company, AmeriCollect, had kept on top of that new law, and he says they helped hospitals make sure they were complying with it.

**Nick:** we put together policy templates and sample financial assistance policies and application forms

**Dan:** He says it was, in its way, a long-game sales strategy. If you develop a reputation among hospitals as someone who's trustworthy and helpful and smart, then next time they need a new bill collector, they'll keep you in mind. Anyway, when Nick's grandpa said, "What's financial assistance?" Nick was ready to go.

**Nick:** I said, let's see if you qualify um, so I pulled up, the hospital's website and pulled up their financial assistance policy, um, which was 16 pages long. And I thought to myself, how in the world would grandpa get an answer to the question, do I qualify for financial assistance?

**Dan:** Nick has looked at a lot of super-long financial-assistance forms since then, and he can rattle off the kinds of questions they ask:

**Nick:** What kind of cars do you drive? Your make and model. How much do you think that it's worth? And how much do you owe on it? What is the value of your primary residence? How much are you spending each month on house payment, car payment, groceries, cell phone bill, a breakdown of a monthly budget?



**Dan:** In other words, a LOT. Nick says some of the detailed questions were put there in anticipation of proposed federal laws and regulations that never got adopted. So, Nick was super well versed in all this stuff. He'd helped hospitals design their charity care policies.

**Nick:** but I hadn't spent a whole lot of time thinking about what it would be like from the patient's perspective to try to navigate a hospital's financial assistance program.

**Dan:** He was like, before jumping into all this, Grandpa, let's just figure out if it's worth it. Are you likely to qualify? And Nick knew how to get an answer: Because he knew, the way hospital charity-care policies work is: They compare your income to a multiple of the federal poverty level. At this hospital it was 250 percent. Nick learned what grandma and grandpa got from social security, compared it to that federal poverty number.

**Nick:** And so I was like, all right, well, hey grandpa, it looks like you're going to qualify for financial assistance, let's print out an application and start filling it out. It was bare because it was a beast of an application. But eventually he was approved for Medicaid and never received another hospital bill for the rest of his life.

**Dan:** And the 750 bucks?

**Nick:** Disappeared.

**Dan:** It got Nick thinking about a presentation he'd seen a couple of years before. This was when a lot of hospitals were first rolling out their charity-care policies to comply with the new law. One of the national Catholic hospital chains was giving a talk about their policy.

**Nick:** We offer 75 percent discounts up to 400 percent of the federal poverty level.

And I just kind of sat back in my chair and thought, 400 percent of the federal poverty level.

**Dan:** That sounded like it might cover a lot of people. Like, how many people in this country make less than that? Maybe a lot. He looked it up later, and I did too:

4 times the federal poverty level for a single person is about 58 thousand a year. And almost 60 percent of Americans make less than that.

**Nick:** So the next logical step is, Okay, well, uh, People that hospitals send to collections, would you imagine that they have higher incomes or lower incomes than your average American? I think it's fair to say that we can guess that they're lower on the income scale than the average American.

**Dan:** So it would seem like most people who get sent to collections... would've qualified for financial assistance. And since, according to industry consultants, most BILLS that get sent to collections never get collected it also seems like: A lot of people who are getting chased by collections agents, maybe getting sued, would have qualified for charity care. Which, duh, maybe. I mean, a lot of reporters and advocates have written a lot of reports showing exactly that. To a lot of people, it looks like an outrage. But with Nick's knowledge of hospital revenue departments, he saw it as something else: An opportunity. By spending all that effort on chasing folks who wouldn't and couldn't pay, hospitals were WASTING MONEY on that effort. And-- again, because Nick really knows the nerdy details-- he figured hospitals were also leaving other money on the table. Like from Medicaid, which would be paying for Grandpa's hospital bills-- not just for that first 750 dollar charge, but on every bill for the rest of his life. That's money the hospital would've had a hard time getting from grandpa. And Nick thought: A guy could build a business helping hospitals save money over here and pick up money over there. So he quit his job at AmeriCollect to start that business. I asked him to do his pitch for me.

**Nick:** Uh, pitch. Are you looking for basically what we present to hospitals and stuff like that? Yeah,

**Dan:** He does this at conferences a few times a year. He pulled up PowerPoint, put it in Presenter View.

**Nick:** Love presenter view. Hey, let me just fire away. Yeah.

**Dan:** And we were off.

**Nick:** So, as the host mentioned, I spent my first 12 years in the industry in the hospital billing and collections world.

**Dan:** Nick skipped a few details-- actually, looking over his shoulder I noticed a key one.

**Dan (from field tape):** this paragraph that you skipped, like, the cost of sending those bills, you're saying, like, 2 dollars per.

**Nick:** Oh, yeah

**Dan:** Two bucks out of pocket. Even though it's all automated, you're spending a lot on the machines, the software, the paper-- not to mention postage. And if someone's headed to collections, you're not just sending them one bill.

**Nick:** if you think about three statements and a final notice, and customer service cost for supporting all of that, it's not insignificant.

**Dan:** Oh yeah: Customer service cost. That's the call center. So that's savings. Then there's money you pick up. Nick proposes that hospitals basically just ask people their income up front, along with their insurance information. He's offering them an easy web form to give patients. And he says when hospitals use that form, like ten percent of patients turn out to be eligible for Medicaid. He tells hospitals:

**Nick:** These are great opportunities to help them get on the Medicaid program, and help you get paid for the care that you provided.

**Dan:** And Nick says Medicaid isn't the only opportunity to get paid. Lots of people with regular insurance also have deductibles and other "patient responsibilities" that can get into the thousands of dollars. Which makes a lot of people think twice about going in for care, if they can avoid it. And: Not only could a lot of those people meet the income requirements for charity care-- remember, almost 60 percent could meet those requirements at some hospitals -- hospitals can adopt charity-care policies that cover people who do have insurance. Which, Nick, argues can be a money-making opportunity.

**Nick:** Um, a question I like to pose is: If a low income patient is on the fence about getting a procedure at your hospital, for example, a knee replacement, that will get you paid 15,000 by their insurance...

**Dan:** ... then wouldn't it be smart to offer them charity care so they don't worry about their deductible? You'd be unlocking that 15 thousand dollars from their

insurance company. Nick's pitch sounded pretty solid to me. He's got some clients, and a backer -- a bigger company that's investing in his work. He says people chat him up after he gives these talks... but he does hear some -- not pushback, exactly. More like...

**Nick:** eh, we'll do what we need to do to be compliant, but we've got other things to deal with that, we're not really going to worry about this too much.

**Dan:** In other words, it's not a priority. Maybe not where the big money is. But then, lawsuits -- especially lawsuits against people who can't pay-- aren't where the big money is either. Why do these folks allow themselves to be literally party to them?

**Nick:** It's really, I would say philosophically-based.

**Dan:** Philosophically-based. Up to the philosophy of the collection agency and the hospital revenue director. In part two of this story, we'll hear from someone in the collections world who's ready to argue, philosophically, that it's OK to sue people for medical bills they just can't pay.

**Scott Purcell:** If you just sued somebody who can't pay, they're not out any money. So you made a bad business decision. But truly Dan, what is the harm they're experiencing?

**Dan:** And we'll hear about the case of the disappearing lawsuits

**Ryan Little:** So on September 18th, I said, Maryland hospitals are dot, dot, dot... Basically not suing anyone for medical debt anymore.

**Dan:** Yep!

Meanwhile, this is a GREAT time to make a donation to keep this show going. Projects like this take a TON of time and money. And right now, every dollar you give is being MATCHED-- by other Arm and a Leg listeners.

The NewsMatch program from the Institute for Nonprofit News has matched as much as they can for this year, and a few super-generous listeners have put up MORE matching funds. Go take them up on it!

There's a link in the show notes, wherever you're listening, or head to [arm-and-a-leg-show, dot com, slash, support](http://arm-and-a-leg-show.com/support).

Thank you so much! Your help makes a huge difference. We'll be back in two weeks with part two. That's in one week.

Till then, take care of yourself.

This episode of An Arm and a Leg was produced by Emily Pisacreta, Bella Czakowski, and me, Dan Weissmann,

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Daisy Rosario is An Arm and a Leg's consulting managing producer.

Gabrielle Healy is our managing editor for audience -- she edits the First Aid Kit newsletter.

Sarah Ballema is our Operations Manager. Bea Bosco is our Consulting Director of Operations.

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That's a national newsroom producing in-depth journalism about health care in America, and a core program at KFF — an independent source of health policy research, polling, and journalism.

You can learn more about KFF Health News at [arm and a leg show dot com](http://armandalegshow.com), slash KFF.

Zach Dyer is senior audio producer at KFF Health News. He is editorial liaison to this show.

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